



Midvaal Local Municipality
Annual Financial Statements
for the year ended 30 June 2014
Auditor-General

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity

Municipality

Municipal demarcation code - GT 422 - Governed by the MFMA (No. 56 of 2003)

Mayoral committee

Executive Mayor

Councillors

B. Baloyi

Speaker:

F.W. Peters (From May 2014 to June 2014)

A.R. Mclouglin (From July 2013 to June 2014)

Chief Whip:

P. C. Pretorius (From May 2014 to June 2014)

D.R. Ryder (From July 2013 to June 2014)

Mayoral Committee:

S.Nkhi - Development Planning and Housing (From May 2014 to June 2014)

F. Peters - Development Planning and Housing (From August 2013 to May 2014)

P.D. Pretorius - Finance and Corporate Services

D. Ryder - Engineering Services (From May 2014 to June 2014)

M.S. Hack - Engineering Services (From July 2013 to May 2014)

R.F. Jones - Social Services (From May 2014 to June 2014)

C.P. Hartman - Social Services (From July 2013 to May 2014)

Councillors:

W.F De Agrella

M.S. Schoeman

L.S. Parsonson

M.L. Modiokeng

M.S. Hack

M.M. Ndebele

C.P. Hartman

M.Z.P. Boland

S.E. Hlengwa

I.M. Matsose

A.J. Van Tonder

L.S. Botsoere

M.M. Magagula

T.S. Maphalla

H.J. Mokoena

M.G.I. Ngcobo

F. Peters

C.G. Pypers

M.M. Radebe

P. Ramushu

Grading of local authority

Grade 3 Local Municipality

Accounting Officer

A.S.A. De Klerk

Chief Finance Officer (CFO)

A.L. Van Schalkwyk

Registered office

Civic Centre

C/O Junius & Mitchell Streets

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

General Information

	Meyerton 1960
Postal address	P O Box 9 Meyerton Gauteng 1960
Bankers	ABSA Bank Limited
Auditors	Auditor-General
Attorneys	Meise Nkaiseng Inc / Odendaal & Summerton Inc / Klopper Jonker Inc Poswa Inc / Koulountis Inc / Mills Inc / Van de Venter Mojapelo Inc / Malherbe, Rigg & Ranwell

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Index

The reports and statements set out below comprise the annual financial statements presented to the Council:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 13
Accounting Policies	14
Notes to the Annual Financial Statements	32 - 59
Appendixes:	
Appendix A: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	60

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLM	Midvaal Local Municipality
SAPS	South Africa Police Services

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 59, which have been prepared on the going concern basis and were approved by the Accounting Officer on 29 August 2014.

A.S.A De Klerk
Municipal Manager - 29 August 2014

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Consumer debtors	3	114 926 707	95 151 227
Cash and cash equivalents	4	91 470 824	40 484 187
VAT receivable	5	8 822 049	6 425 749
Inventories	6	6 841 950	6 499 145
Other receivables from exchange transactions	7	2 498 398	4 432 511
Other receivables from non-exchange transactions	8	2 299 090	1 505 137
		226 859 018	154 497 956
Non-Current Assets			
Property, plant and equipment	9	2 067 227 722	2 102 550 646
Investment property	10	47 487 000	47 515 000
Intangible assets	11	1 361 431	1 231 000
Heritage assets	12	18 701	18 701
		2 116 094 854	2 151 315 347
Total Assets		2 342 953 872	2 305 813 303
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	94 289 681	71 517 986
VAT payable - consumer debtors		12 155 928	10 701 587
Consumer deposits	14	10 273 776	9 804 398
External loans	15	8 678 824	8 960 874
Finance lease obligation	16	4 064 002	2 841 369
Provisions	17	426 147	-
		129 888 358	103 826 214
Non-Current Liabilities			
External loans	15	166 321 843	120 144 593
Provisions	17	37 102 722	41 326 724
Finance lease obligation	16	10 859 806	6 920 797
Long-term liability	39	8 003 642	17 842 082
Employee benefit obligation	18	4 528 000	36 414 000
		226 816 013	222 648 196
Total Liabilities		356 704 371	326 474 410
Net Assets		1 986 249 501	1 979 338 893
Accumulated surplus		1 986 249 501	1 979 338 893

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Service charges	19	421 537 853	377 171 202
Property rates	20	106 157 365	94 353 113
Government grants & subsidies	21	104 564 405	96 206 274
Other income	22	20 249 489	21 935 058
Fines		14 617 804	7 020 166
Interest received - consumer debtors		6 048 615	7 119 810
Interest received - investment	23	4 850 916	2 036 636
Developers contributions		2 663 992	1 679 904
Rental of facilities & equipment		1 142 264	1 329 612
Public contributions and donations		60 114	55 714 394
Total revenue		681 892 817	664 566 169
Expenditure			
Bulk purchases	24	(250 231 044)	(225 659 653)
Employee related cost	25	(125 997 709)	(151 169 694)
Depreciation and amortisation	26	(115 484 153)	(109 753 182)
Contracted services	27	(56 015 080)	(48 879 520)
General Expenses	28	(45 676 514)	(37 308 670)
Repairs and maintenance		(30 203 487)	(28 675 654)
Debt impairment	29	(23 500 868)	(27 322 871)
Finance costs	30	(17 007 084)	(16 119 860)
Remuneration of councillors	31	(8 740 935)	(7 874 951)
Grants and subsidies paid		(1 494 313)	(826 351)
Total expenditure		(674 351 187)	(653 590 406)
Operating surplus		7 541 630	10 975 763
Loss on disposal of assets		(631 023)	-
Surplus for the year		6 910 607	10 975 763

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 976 936 832	1 976 936 832
Adjustments		
Prior period errors	(8 573 702)	(8 573 702)
Balance at 01 July 2012 as restated	1 968 363 130	1 968 363 130
Changes in net assets		
Surplus for the year	10 975 763	10 975 763
Total changes	10 975 763	10 975 763
Balance at 01 July 2013	1 979 338 894	1 979 338 894
Surplus for the year	6 910 607	6 910 607
Total changes	6 910 607	6 910 607
Balance at 30 June 2014	1 986 249 501	1 986 249 501

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		255 504 046	224 986 086
Cash receipts from services/charges		377 474 742	374 851 204
Interest income		4 850 916	2 036 636
		637 829 704	601 873 926
Payments			
Cash paid to employees		(134 738 643)	(159 044 644)
Cash paid to suppliers and other		(399 873 938)	(352 858 167)
Finance costs		(17 007 083)	(13 276 073)
		(551 619 664)	(525 178 884)
Net cash flows from operating activities	51	86 210 040	76 695 042
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(86 171 548)	(53 273 637)
Proceeds from sale of property, plant and equipment	9	9 729 743	-
Net cash flows from investing activities		(76 441 805)	(53 273 637)
Cash flows from financing activities			
Increase/(Decrease) in external loans		45 895 200	11 323 387
Increase/(Decrease) in finance leases		5 161 642	(904 861)
Increase/(Decrease) in other long term liabilities		(9 838 440)	1 293 494
Net cash flows from financing activities		41 218 402	11 712 506
Net increase/(decrease) in cash and cash equivalents		50 986 637	35 133 911
Cash and cash equivalents at the beginning of the year		40 484 187	5 350 276
Cash and cash equivalents at the end of the year	4	91 470 824	40 484 187

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	419 321 638	3 000 000	422 321 638	421 537 853	(783 785)	T5.1.1
Interest received (trading)	7 199 520	(2 000 000)	5 199 520	6 048 615	849 095	TK2
Rental of facilities and equipment	1 020 000	250 000	1 270 000	1 142 264	(127 736)	
Other income	16 865 039	1 604 566	18 469 605	20 249 489	1 779 884	
Interest received - investment	1 800 000	1 000 000	2 800 000	4 850 916	2 050 916	T5.1.1
Total revenue from exchange transactions	446 206 197	3 854 566	450 060 763	453 829 137	3 768 374	

Revenue from non-exchange transactions

Taxation revenue

Property rates	118 111 500	(9 133 724)	108 977 776	106 157 365	(2 820 411)	T5.1.1
Government grants & subsidies	155 601 167	(48 000 000)	107 601 167	104 564 405	(3 036 762)	T5.9.1

Transfer revenue

Public contributions and donations	-	-	-	60 114	60 114	
Fines	9 000 000	5 000 000	14 000 000	14 617 804	617 804	TK2
Developers contribution	10 000 000	(9 000 000)	1 000 000	2 663 992	1 663 992	T5.22
Total revenue from non-exchange transactions	292 712 667	(61 133 724)	231 578 943	228 063 680	(3 515 263)	

Total revenue	738 918 864	(57 279 158)	681 639 706	681 892 817	253 111	
----------------------	--------------------	---------------------	--------------------	--------------------	----------------	--

Expenditure

Personnel	(166 731 918)	17 326 684	(149 405 234)	(125 997 709)	23 407 525	T5.1.1
Remuneration of councillors	(9 708 194)	331 049	(9 377 145)	(8 740 935)	636 210	T5.1.1
Transfer payments	(32 712)	(2 000 000)	(2 032 712)	(1 494 313)	538 399	
Depreciation and amortisation	(117 353 402)	(4 913 049)	(122 266 451)	(115 484 153)	6 782 298	T5.1.1
Finance costs	(22 115 932)	(1 427 763)	(23 543 695)	(17 007 084)	6 536 611	T5.1.1
Debt impairment	(27 059 981)	2 008 093	(25 051 888)	(23 500 868)	1 551 020	Other
Repairs and maintenance	(32 933 910)	(4 250 185)	(37 184 095)	(30 203 487)	6 980 608	T5.5.4.1
Bulk purchases	(249 800 000)	(5 162 239)	(254 962 239)	(250 231 044)	4 731 195	T5.1.1
Contracted Services	(60 131 458)	2 319 873	(57 811 585)	(56 015 080)	1 796 505	T5.11
General Expenses	(52 844 596)	(1 604 805)	(54 449 401)	(45 676 514)	8 772 887	
Total expenditure	(738 712 103)	2 627 658	(736 084 445)	(674 351 187)	61 733 258	

Operating surplus	206 761	(54 651 500)	(54 444 739)	7 541 630	61 986 369	
Loss on foreign exchange	-	-	-	(631 023)	(631 023)	

Surplus before taxation	206 761	(54 651 500)	(54 444 739)	6 910 607	61 355 346	
--------------------------------	----------------	---------------------	---------------------	------------------	-------------------	--

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	206 761	(54 651 500)	(54 444 739)	6 910 607	61 355 346	
--	----------------	---------------------	---------------------	------------------	-------------------	--

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Reconciliation

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	8 421 394	(1 532 300)	6 889 094	6 841 950	(47 144)	
Other receivables from exchange transactions	7 009 211	(739 054)	6 270 157	2 498 398	(3 771 759)	
Other receivables from non-exchange transactions	-	-	-	2 299 090	2 299 090	
VAT receivable	18 825 310	(12 039 719)	6 785 591	8 822 049	2 036 458	
Consumer debtors	81 122 521	19 357 174	100 479 695	114 926 707	14 447 012	T5.1.1
Cash and cash equivalents	22 599 778	22 283 874	44 883 652	91 470 824	46 587 172	T5.9.1
	137 978 214	27 329 975	165 308 189	226 859 018	61 550 829	

Non-Current Assets

Investment property	30 513 000	22 379 000	52 892 000	47 487 000	(5 405 000)	T5.1.1
Property, plant and equipment	2 075 942 370	(6 688 860)	2 069 253 510	2 067 227 722	(2 025 788)	T5.1.1
Intangible assets	-	1 705	1 705	1 361 431	1 359 726	T5.1.1
Heritage assets	-	428	428	18 701	18 273	T5.1.1
	2 106 455 370	15 692 273	2 122 147 643	2 116 094 854	(6 052 789)	

Total Assets	2 244 433 584	43 022 248	2 287 455 832	2 342 953 872	55 498 040	
---------------------	----------------------	-------------------	----------------------	----------------------	-------------------	--

Liabilities

Current Liabilities

External loans	7 667 380	-	7 667 380	8 678 824	1 011 444	T5.1.1
VAT payable - consumer debtors	-	11 300 875	11 300 875	12 155 927	855 052	
Finance lease obligation	2 419 759	-	2 419 759	4 064 002	1 644 243	T5.1.1
Trade and other payables from exchange transactions	89 546 205	(13 157 082)	76 389 123	94 289 672	17 900 549	T5.1.1
Consumer deposits	9 916 544	436 900	10 353 444	10 273 776	(79 668)	T5.1.1
Provisions	-	-	-	426 147	426 147	
	109 549 888	(1 419 307)	108 130 581	129 888 348	21 757 767	

Non-Current Liabilities

External loans	156 729 638	-	156 729 638	166 321 843	9 592 205	T5.1.1
Finance lease obligation	9 475 427	-	9 475 427	10 859 806	1 384 379	T5.1.1
Employee benefit obligation	-	5 000 000	5 000 000	4 528 000	(472 000)	T5.1.1
Provisions	25 930 131	17 710 890	43 641 021	37 102 722	(6 538 299)	T5.1.1
Long-term liability	-	-	-	8 003 642	8 003 642	T5.1.1
	192 135 196	22 710 890	214 846 086	226 816 013	11 969 927	

Total Liabilities	301 685 084	21 291 583	322 976 667	356 704 361	33 727 694	
--------------------------	--------------------	-------------------	--------------------	--------------------	-------------------	--

Net Assets	1 942 748 500	21 730 665	1 964 479 165	1 986 249 511	21 770 346	
-------------------	----------------------	-------------------	----------------------	----------------------	-------------------	--

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Accumulated surplus	1 942 748 500	21 730 665	1 964 479 165	1 986 249 511	21 770 346	

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Cash receipts from ratepayers, government and other	317 797 226	(61 279 158)	256 518 068	255 504 046	(1 014 022)	
Cash receipts from service charges	387 115 569	4 674 315	391 789 884	377 474 742	(14 315 142)	
Interest income	1 800 000	1 000 000	2 800 000	4 850 916	2 050 916	T5.9.1
	706 712 795	(55 604 843)	651 107 952	637 829 704	(13 278 248)	

Payments

Employee costs	(175 013 123)	732 344	(174 280 779)	(134 738 643)	39 542 136	
Suppliers	(391 202 612)	(30 626 318)	(421 828 930)	(395 421 059)	26 407 871	
Finance costs	(22 115 932)	-	(22 115 932)	(17 007 085)	5 108 847	T5.9.1
Other cash item	-	31 000 000	31 000 000	(4 452 877)	(35 452 877)	
	(588 331 667)	1 106 026	(587 225 641)	(551 619 664)	35 605 977	

Net cash flows from operating activities	118 381 128	(54 498 817)	63 882 311	86 210 040	22 327 729	
---	--------------------	---------------------	-------------------	-------------------	-------------------	--

Cash flows from investing activities

Purchase of property, plant and equipment	(152 467 000)	55 559 583	(96 907 417)	(86 171 548)	10 735 869	T5.9.1
Proceeds on disposal of fixed assets	-	-	-	9 729 743	9 729 743	

Net cash flows from investing activities	(152 467 000)	55 559 583	(96 907 417)	(76 441 805)	20 465 612	
---	----------------------	-------------------	---------------------	---------------------	-------------------	--

Cash flows from financing activities

Repayment of external loans	35 701 054	(409 504)	35 291 550	45 895 199	10 603 649	
Movement in long-term liability	-	-	-	(9 838 440)	(9 838 440)	T5.10.2
Finance lease payments	630 805	1 502 215	2 133 020	5 161 642	3 028 622	T5.10.2

Net cash flows from financing activities	36 331 859	1 092 711	37 424 570	41 218 401	3 793 831	
---	-------------------	------------------	-------------------	-------------------	------------------	--

Net increase/(decrease) in cash and cash equivalents	2 245 987	2 153 477	4 399 464	50 986 636	46 587 172	T5.9.1
--	-----------	-----------	------------------	------------	-------------------	--------

Cash and cash equivalents at the end of the year	22 599 778	22 283 874	44 883 652	91 470 824	46 587 172	
---	-------------------	-------------------	-------------------	-------------------	-------------------	--

Reconciliation

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note "Changes in accounting policy."

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relevant notes and relevant accounting policies. Significant judgments and underlying assumptions are reviewed on a constant basis.

Trade receivables and receivables

The municipality assesses its trade receivables and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including uncontrollable ageing, together with economic factors such as inflation.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions and contingencies

Provisions are recognised when:

- * the entity has a present obligation as a result of a past event;
- * it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- * a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for the municipality's assets. The remaining useful lives are reviewed at each reporting date.

Defined benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in notes in the financial statements.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost, including transaction costs, once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Where property, plant and equipment is acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up. Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

The entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets.

The depreciation rates are based on the following estimated useful lives:

Item	Useful life
Land	Indefinite
Infrastructure	
• Buildings	30
• Roads and paving	10 - 30
• Electricity	20 - 30
• Water	15 - 20
• Sewerage	15 - 20
• Landfill site	17
Community	
• Buildings	30
• Recreational facilities	20 - 30
• Security	5

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Property, plant and equipment

(continued)

Other property, plant and equipment

• Buildings	30
• Specialised vehicles	10 - 20
• Other vehicles	5
• Furniture and fittings	10
• Vehicles	5
• Bins and containers	5 - 10
• Office equipment	5 - 7
Capitalised leased assets	
• Vehicles	5

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method of Property, plant and equipment are reviewed at least at every reporting date.

At each reporting date all items of Property, plant and equipment are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount or recoverable service amount.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the municipality, i.e. is capable of being separated or divided from the municipality and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the municipality can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

The municipality does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

The municipality assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The municipality regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the municipality expects to use the asset.

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually. The estimated useful lives are as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in 12. The transitional provision expires on 2015/06/30.

Until such time as the measurement period expires and heritage assets are recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that

- (i) the entity designates at fair value at initial recognition or
- (ii) are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term liabilities/External loans	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessional loan is in fact a loan. On initial recognition, the entity analyses a concessional loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessional loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

Inventories are subsequently measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula, except for water balance which is determined at cost at the reporting date due to it being measured at reporting date.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating and non-cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

Accounting Policies

1.11 Impairment of cash-generating and non-cash generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation)

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount or when the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential

When estimating the value in use of a cash-generating asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows. The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

- * Depreciated replacement cost approach
- * Restoration cost approach
- * Service units approach

Recognition and measurement

If the recoverable amount or recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount or recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount or recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount or recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit.

Accounting Policies

1.11 Impairment of cash-generating and non-cash generating assets (continued)

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans

The entity classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

The amounts recognised as a defined benefit liability is the net total of the following amounts:

- * the present value of the defined benefit obligation at the reporting date;
- * minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- * plus any liability that may arise as a result of a minimum funding requirement.

The entity determine the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Employee benefits (continued)

- * current service cost;
- * interest cost;
- * actuarial gains and losses;
- * past service cost; and
- * the effect of any curtailments or settlements

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity attributes benefits to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the entity attributes the benefit on a straight-line basis from:

- * the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- * the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

The municipality provides post-retirement health care benefits upon retirement to some retirees. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Accounting Policies

1.13 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes in the Financial Statements.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11.

The adjusted depreciable amount of the asset is depreciated over its remaining useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- * The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- * A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- * The municipality has transferred to the buyer the significant risks and rewards of ownership.
- * The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- * The amount of revenue can be measured reliably.
- * It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- * The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (including property rates)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers (including grants)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine is not revenue of the entity as collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.16 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

* those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.16 Events after the reporting date (continued)

* those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

1.17 Commitments

The municipality discloses each class of capital assets (PPE, Investment properties, Intangible assets and Heritage assets) recognised in the financial statements, as well as future minimum lease payments under non-cancellable operating leases, for each of the following periods:

- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years

1.18 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality should provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented y economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2013 to 30 June 2014.

The annual annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

* Key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of an individual are close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- * Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- * Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- * expenditures for the asset have been incurred;
- * borrowing costs have been incurred; and
- * activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets. In certain circumstances the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Extended periods are periods that exceed 24 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 VAT

The municipality accounts for Value Added Tax (VAT) on the payments basis.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 July 2014	Not material
• GRAP 105: Transfers of functions between entities under common control	01 July 2014	Not material
• GRAP 106: Transfers of functions between entities not under common control	01 July 2014	Not material
• GRAP 107: Mergers	01 July 2014	Not material
• GRAP 20: Related parties	01 July 2014	Not material
• IGRAP 11: Consolidation – Special purpose entities	01 July 2014	Not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 July 2014	Not material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 July 2014	Not material
• GRAP 7 (as revised 2010): Investments in Associates	01 July 2014	Not material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 July 2014	Not material
• GRAP32: Service Concession Arrangements: Grantor	01 July 2014	Not material
• GRAP108: Statutory Receivables	01 July 2014	Not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 July 2014	Not material

3. Consumer debtors

Gross balances

Rates	34 048 503	28 556 944
Electricity	27 647 026	23 929 857
Water	44 810 696	34 625 801
Sewerage	13 636 893	12 302 518
Refuse	11 113 050	9 373 565
VAT	12 155 928	10 701 587
Other	37 594 077	38 869 505
	181 006 173	158 359 777

Less: Allowance for impairment

Rates	(13 881 542)	(10 102 263)
Electricity	(3 769 340)	(3 953 549)
Water	(15 288 189)	(15 524 787)
Sewerage	(5 852 258)	(6 445 264)
Refuse	(4 808 274)	(4 488 345)
Other	(22 479 863)	(22 694 342)
	(66 079 466)	(63 208 550)

Net balance

Rates	20 166 961	18 454 681
Electricity	23 877 686	19 976 308
Water	29 522 507	19 101 014
Sewerage	7 784 635	5 857 254
Refuse	6 304 776	4 885 220
VAT	12 155 928	10 701 587
Other	15 114 214	16 175 163
	114 926 707	95 151 227

Rates

Current (0 -30 days)	5 826 724	5 175 327
31 - 60 days	1 013 450	5 281 301
61 - 90 days	1 283 203	148 854
91 - 120 days	677 099	81 946
121 - 365 days	3 069 969	2 042 086

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
3. Consumer debtors (continued)		
> 365 days	8 296 516	5 725 167
	20 166 961	18 454 681
Electricity		
Current (0 -30 days)	20 057 640	7 092 083
31 - 60 days	879 761	2 309 364
61 - 90 days	161 510	35 849
91 - 120 days	207 522	18 425
121 - 365 days	621 804	423 259
> 365 days	1 949 449	10 097 328
	23 877 686	19 976 308
Water		
Current (0 -30 days)	13 898 711	6 986 565
31 - 60 days	424 336	4 916 020
61 - 90 days	413 799	2 799 465
91 - 120 days	325 357	70 974
121 - 365 days	2 302 980	1 821 143
> 365 days	12 157 324	2 506 847
	29 522 507	19 101 014
Sewerage		
Current (0 -30 days)	1 552 680	1 490 397
31 - 60 days	104 300	1 606 139
61 - 90 days	213 027	23 670
91 - 120 days	142 912	19 784
121 - 365 days	636 819	872 783
> 365 days	5 134 897	1 844 481
	7 784 635	5 857 254
Refuse		
Current (0 -30 days)	1 571 549	1 387 304
31 - 60 days	286 440	1 819 495
61 - 90 days	196 223	35 453
91 - 120 days	225 924	39 616
121 - 365 days	749 719	573 417
> 365 days	3 274 921	1 029 935
	6 304 776	4 885 220
VAT		
Current (0 -30 days)	12 155 928	10 701 587
Other		
Current (0 -30 days)	1 710 263	1 614 511
31 - 60 days	136 040	4 502 606
61 - 90 days	456 769	137 271
91 - 120 days	276 024	236 544
121 - 365 days	1 299 867	2 514 518
> 365 days	11 235 251	7 169 713
	15 114 214	16 175 163
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	36 267 705	14 406 453
31 - 60 days	1 855 980	16 523 736
61 - 90 days	2 919 345	962 357
91 - 120 days	2 691 676	440 361
121 - 365 days	16 180 116	7 044 787
> 365 days	89 502 422	21 801 705

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
3. Consumer debtors (continued)		
	149 417 244	61 179 399
Less: Allowance for impairment	(60 021 953)	(57 563 060)
	89 395 291	3 616 339
Industrial/ commercial		
Current (0 -30 days)	11 539 908	8 979 706
31 - 60 days	1 389 628	3 574 679
61 - 90 days	419 730	2 211 914
91 - 120 days	138 536	10 904
121 - 365 days	1 306 079	833 737
> 365 days	8 969 736	3 023 280
	23 763 617	18 634 220
Less: Allowance for impairment	(6 051 288)	(5 627 500)
	17 712 329	13 006 720
National and provincial government		
Current (0 -30 days)	390 071	360 030
31 - 60 days	16 223	336 510
61 - 90 days	55 684	6 292
91 - 120 days	35 669	16 023
121 - 365 days	637 720	368 682
> 365 days	6 689 941	3 548 488
	7 825 308	4 636 025
Less: Allowance for impairment	(6 225)	(17 990)
	7 819 083	4 618 035
Total		
Current (0 -30 days)	48 197 687	45 410 501
31 - 60 days	3 261 830	28 448 523
61 - 90 days	3 394 760	3 446 702
91 - 120 days	2 865 882	723 510
121 - 365 days	18 123 915	19 210 731
> 365 days	105 162 099	61 119 810
	181 006 173	158 359 777
Less: Allowance for impairment	(66 079 466)	(63 208 550)
	114 926 707	95 151 227
Less: Provision for debt impairment		
31 - 60 days	(600 823)	(9 937 107)
61 - 90 days	(148 126)	(266 139)
91 - 120 days	(450 918)	(256 221)
121 - 365 days	(783 853)	(10 963 526)
> 365 days	(64 095 746)	(41 785 557)
	(66 079 466)	(63 208 550)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(63 208 550)	(51 621 740)
Contributions to allowance	(23 500 868)	(27 322 872)
Debt impairment written off against allowance	20 629 952	15 736 062
	(66 079 466)	(63 208 550)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors impaired

As of 30 June 2014, ageing consumer debtors of R 66 079 466 (2013: R 63 208 551) were impaired and provided for.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

3. Consumer debtors (continued)

Receivables from non-exchange transactions (included in consumer debtors)

Property rates	20 166 961	18 454 681
----------------	------------	------------

All other receivables included in consumer debtors are receivables from exchange transactions.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	91 069 048	24 608 922
Short-term deposits	-	15 500 000
Other cash and cash equivalents	401 776	375 265
	91 470 824	40 484 187

Current Account (Primary bank account)

ABSA Bank Ltd - Public Gauteng East Branch - Account Number 405 320 3845.

Current Account (Traffic fines): First National Bank - Meyerton Branch - Account Number 620 8373 4262.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Guarantees held in lieu of Electricity and Water deposits:

	2014	2013
Sedibeng breweries	7 109 000	7 109 000
Other	185 200	185 200
Total	7 294 200	7 294 200

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank Ltd - Public Gauteng East Branch - Account number 405 320 3845	90 432 855	23 494 117	2 947 530	90 330 311	23 266 483	2 947 530
FNB - Account number 62083734262	738 737	1 342 439	9 401	738 737	1 342 439	9 401
Total	91 171 592	24 836 556	2 956 931	91 069 048	24 608 922	2 956 931

5. VAT receivable

VAT	8 822 049	6 425 749
-----	-----------	-----------

6. Inventories

Maintenance materials - Electricity	4 914 679	4 233 565
Maintenance materials - Water	1 523 831	1 850 547
Water	275 729	269 279
Fuel (Diesel, Petrol)	127 711	145 754
	6 841 950	6 499 145

7. Other receivables from exchange transactions

Sundry debtors	2 382 213	4 414 691
----------------	-----------	-----------

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
7. Other receivables from exchange transactions (continued)		
Rental	107 464	14 790
Conditional bursaries repaid	7 734	3 030
Traffic offences	900	-
Cashier Shortfall	87	-
	2 498 398	4 432 511

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

8. Other receivables from non-exchange transactions

Fines	1 364 580	928 095
Government grants and subsidies	934 510	577 042
	2 299 090	1 505 137

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	85 528 891	-	85 528 891	84 420 938	-	84 420 938
Infrastructure	2 478 299 817	(615 419 671)	1 862 880 146	2 413 807 641	(515 140 513)	1 898 667 128
Community	124 276 754	(38 513 551)	85 763 203	120 820 873	(29 104 040)	91 716 833
Other property, plant and equipment	48 629 623	(29 664 062)	18 965 561	46 255 512	(26 385 370)	19 870 142
Other leased Assets	17 874 198	(3 784 277)	14 089 921	10 401 185	(2 525 580)	7 875 605
Total	2 754 609 283	(687 381 561)	2 067 227 722	2 675 706 149	(573 155 503)	2 102 550 646

Reconciliation of property, plant and equipment and intangible assets - 2014

	Opening balance	Additions	Disposals	Transfers	Other adjustments	Depreciation	Impairment loss	Impairment reversal	Total
Land	84 420 938	1 107 953	-	-	-	-	-	-	85 528 891
Infrastructure	1 898 667 128	64 736 529	(94 233)	-	-	(99 962 013)	(1 790 079)	1 322 814	1 862 880 146
Community	91 716 833	8 713 197	(9 710 195)	-	4 452 879	(9 409 511)	(330 087)	330 087	85 763 203
Other property, plant and equipment	19 870 142	5 310 309	(528 339)	(1 383 729)	-	(4 306 569)	(19 509)	23 256	18 965 561
Other leased Assets	7 875 605	6 087 782	-	1 383 729	-	(1 257 195)	-	-	14 089 921
	2 102 550 646	85 955 770	(10 332 767)	-	4 452 879	(114 935 288)	(2 139 675)	1 676 157	2 067 227 722

Reconciliation of property, plant and equipment and intangible assets - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	84 420 938	-	-	-	84 420 938
Infrastructure	1 906 229 999	88 421 116	(95 765 925)	(218 062)	1 898 667 128
Community	85 510 461	15 763 340	(8 971 933)	(585 035)	91 716 833
Other property, plant and equipment	20 222 112	3 473 059	(3 801 773)	(23 256)	19 870 142
Other leased Assets	7 757 371	1 311 812	(1 193 578)	-	7 875 605
	2 104 140 881	108 969 327	(109 733 209)	(826 353)	2 102 550 646

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

9. Property, plant and equipment (continued)

Compensation received for losses on property, plant and equipment – included in operating profit.

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	24 923 196	24 923 196
Movement for the year	22 193 594	22 193 594
	47 116 790	47 116 790

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Total
Opening balance	12 115 211	12 115 211
Movement for the year	12 807 985	12 807 985
	24 923 196	24 923 196

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Vacant land	47 487 000	-	47 487 000	47 515 000	-	47 515 000

Reconciliation of investment property - 2014

	Opening balance	Disposals	Total
Vacant land	47 515 000	(28 000)	47 487 000

Reconciliation of investment property - 2013

	Opening balance	Total
Vacant land	47 515 000	47 515 000

Pledged as security

NO portion of Investment Properties has been pledged as securities for liabilities.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

2014	2013
------	------

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

11. Intangible assets (continued)

	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 498 970	(137 539)	1 361 431	1 283 195	(52 195)	1 231 000

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 231 000	215 775	(85 344)	1 361 431

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	1 232 700	(1 700)	1 231 000

Pledged as security

NO portion of Intangible assets has been pledged as securities for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality:

12. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other heritage assets	18 701	-	18 701	18 701	-	18 701

Reconciliation of heritage assets 2014

	Opening balance	Total
Other heritage assets	18 701	18 701

Reconciliation of heritage assets 2013

	Opening balance	Total
Other heritage assets	18 701	18 701

Pledged as security

NO portion of Heritage assets has been pledged as securities for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain heritage asset was recognised at provisional amounts. Refer to the accounting policy on Heritage assets (policy note 1.7) for additional information.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

13. Trade and other payables from exchange transactions

Trade payables	51 494 773	38 929 311
Payments received in advanced	23 986 947	19 566 945
Accrued leave pay	7 045 543	6 623 476
Eskom	5 352 626	-
Retentions	3 243 797	2 944 128
Other payables	2 494 970	2 724 265
Deposits received	671 025	671 025
Sundry creditors	-	58 836
	94 289 681	71 517 986

The accrual for leave pay relates to vested leave pay to which employees may become entitled to upon leaving the employment of the municipality. The provision arises as employees render a service that increases their entitlement to future compensated leave. The provision is utilised when employees who are entitled to leave pay, leave the employ of the municipality or when the accrued leave due to an employee is utilised.

14. Consumer deposits

Consumer deposits - Electricity and water	10 273 776	9 804 398
---	------------	-----------

15. External loans

At amortised cost

External loans	175 000 667	129 105 467
----------------	-------------	-------------

The loans are repayable in semi-annual installments. Interest is charged at rates varying between 6.75% and 15.26%

Non-current liabilities

At amortised cost	166 321 843	120 144 593
-------------------	-------------	-------------

Current liabilities

At amortised cost	8 678 824	8 960 874
-------------------	-----------	-----------

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
I006/WD	361 045	47 848	-	47 848	-
L-001/VM	1 545 585	204 833	-	204 833	-
L-004/VM	1 280 000	-	-	-	-
L-002/VM	125 305	16 607	-	16 607	-
L-023/Rv	920 255	227 304	-	160 277	121 027
L-023/M	10 390	6 516 855	-	703 030	5 813 825
L-024/M	17 840 900	9 087 138	-	1 979 813	7 107 325
L-025/M	38 150 000	30 935 529	-	1 859 162	29 076 367
L-026/M	4 950 000	4 049 417	-	243 362	3 806 055
L-027/M	13 000 000	10 634 788	-	639 129	9 995 659
L-028/M	13 800 000	11 195 741	-	672 842	10 522 899
L-029/M	15 700 000	13 841 133	-	552 635	13 288 498
L-030/M	12 650 000	11 866 189	-	257 200	11 608 989
L-031/M	1 500 000	1 441 150	-	9 235	1 431 915
L-032/M	8 800 000	7 401 719	-	443 674	6 958 045
I-033/M	1 350 000	1 222 395	-	42 194	1 180 201
MIDV-00-0001	2 600 000	132 068	-	132 068	-
Standard	26 000 000	-	26 000 000	2 491 834	23 508 166
Standard	34 000 000	-	34 000 000	2 652 094	31 347 906
Standard	20 000 000	-	20 000 000	766 210	19 233 790
Standard	-	20 284 756	-	20 284 756	-
	214 583 480	129 105 470	80 000 000	34 158 803	175 000 667

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
16. Finance lease obligation		
Minimum lease payments due		
- within one year	5 719 282	3 604 678
- in second to fifth year inclusive	11 628 350	7 638 214
	17 347 632	11 242 892
less: future finance charges	(2 423 824)	(1 480 726)
Present value of minimum lease payments	14 923 808	9 762 166
 Non-current liabilities	10 859 806	6 920 797
Current liabilities	4 064 002	2 841 369
	14 923 808	9 762 166

It is municipality policy to lease certain motor vehicles and equipment under finance leases

The average lease term was 3-5 years and the average effective borrowing rate was 7%-10.70% (2013: 7%-10.70%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Lease number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
81086562	3 387 491	2 182 284	-	669 093	1 513 191
81265513	645 332	425 790	-	126 572	299 218
FLP01-0001H	2 676 851	1 695 369	-	540 717	1 154 652
FLP021-0006S	2 046 208	1 321 152	-	408 400	912 752
FLP021-003B	1 636 642	1 143 062	-	321 009	822 053
WB004-0001B	205 080	199 927	-	63 884	136 043
WB005-0002A	141 007	137 464	-	43 925	93 539
WB006-0003T	208 976	203 882	-	63 142	140 740
WB007-0004S	208 976	203 726	-	65 098	138 628
WB008-0005L	205 080	199 927	-	63 884	136 043
WB009-0006K	226 860	221 030	-	70 642	150 388
WB010-0007J	159 064	159 064	-	49 262	109 802
19977492-0001	1 074 031	913 415	-	192 705	720 710
19977492-0002	486 027	413 345	-	87 201	326 144
19977492-0003	402 938	342 729	-	72 295	270 434
19977492-0004	554 705	-	554 705	69 353	485 352
19974923-0005	476 716	-	476 716	59 603	417 113
19977492-0006	399 931	-	399 931	50 419	349 512
19977492-0007	2 134 741	-	2 134 741	230 882	1 903 859
19977492-0008	5 000 754	-	500 754	13 643	487 111
19977492-0009	1 228 213	-	1 228 213	33 459	1 194 754
19977492-0010	10 093 820	-	1 093 820	31 379	1 062 441
19977492-0011	279 300	-	279 300	8 080	271 220
19977492-0012	986 100	-	986 100	10 977	975 123
19977492-0013	373 534	-	373 534	5 890	367 644
19977492-0014	485 342	-	485 342	-	485 342
	35 723 719	9 762 166	8 513 156	3 351 514	14 923 808

17. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Movements	Total
Landfill rehabilitation	36 085 724	(5 917 855)	30 167 869
Long service awards	5 241 000	2 120 000	7 361 000
	41 326 724	(3 797 855)	37 528 869

Reconciliation of provisions - 2013

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand		2014	2013
17. Provisions (continued)			
	Opening Balance	Movements	Total
Landfill rehabilitation	23 252 887	12 832 837	36 085 724
Long service awards	4 237 000	1 004 000	5 241 000
	27 489 887	13 836 837	41 326 724
Non-current liabilities		37 102 722	41 326 724
Current liabilities		426 147	-
		37 528 869	41 326 724

Environmental rehabilitation provision - Landfill

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- * The business or part of a business concerned;
- * The principal locations affected;
- * The location, function and approximate number of employees who will be compensated for terminating their services;
- * The expenditures that will be undertaken; and
- * When the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Midvaal Municipality operates on 5 accredited medical aid schemes, namely HOSmed, Key Health, SAMWU Med, Bonitas and LA Health.

Midvaal provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, which the municipality is associated, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

Pension benefits

Council and employees contribute towards the under-mentioned Pension Funds whose operations are subject to the Pension Fund Act, 1956.

The municipality does not apply "defined benefit accounting" to defined benefit funds to which it is a member where these funds are classified in terms of GRAP25 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply "defined benefit accounting" was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in the future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, GRAP25 is applied and such funds are accounted for as defined contribution funds.

The Council subscribes to the following pension funds:

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

18. Employee benefit obligations (continued)

- Municipal Gratuity Fund
- Municipal Employees Pension Fund
- Joint Municipal Employees Pension Fund
- Germiston Municipal Retirement Fund
- Old Mutual Sala Pension Fund
- National Fund For Municipal Workers
- SAMWU National Provident Fund
- Councillors Pension Fund
- Germiston Defined Benefit Fund

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined fund for certain pensioners under old rules taken up in the rules of the fund. During 2005 GMRF outsources the full administration of the pensioners component which relates to old rules of a defined benefit fund. To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of the future contributions once these are assessed. In the case of surpluses, no change is made in the rate contributions. In the case of deficits, the municipality will increase contributions on a phase in basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at the year end. Refer to Provisions note for leave pay provision

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(4 528 000)	(36 414 000)
---	-------------	--------------

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(36 414 000)	(28 714 000)
Benefits paid	180 000	663 080
Net income/(expense) recognised in the statement of financial performance	31 706 000	(8 363 080)
	(4 528 000)	(36 414 000)

Net expense recognised in the statement of financial performance

Current service cost	(3 045 000)	(2 122 000)
Interest cost	(2 780 000)	(2 000 000)
Actuarial (gains) losses	37 531 000	(4 241 080)
	31 706 000	(8 363 080)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,00 %	7,40 %
Consumer price inflation	7,10 %	5,66 %
Medical aid inflation	8,10 %	6,66 %

19. Service charges

Sale of electricity	235 073 921	214 454 263
Sale of water	133 849 287	117 082 272
Sewerage and sanitation charges	27 251 888	24 318 753
Refuse removal	25 362 757	21 315 914
	421 537 853	377 171 202

20. Property rates

Rates received

Residential	123 457 711	317 810 160
Commercial	33 986 411	(236 783 144)

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
20. Property rates (continued)		
State	3 456 451	9 221 835
Other	885 646	2 190 117
Agricultural	5 339 039	60 630 195
Less: Income forgone	(60 967 893)	(58 716 050)
	106 157 365	94 353 113

Valuations

Residential	11 499 164	11 931 418
Agricultural	6 847 443	7 966 797
Commercial	2 813 719	2 326 161
Other	357 061	631 577
Municipal	296 833	453 301
State	292 183	300 354
	22 106 403	23 609 608

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2011. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.0122 - (2013: R0.0110) is applied to property valuations to determine assessment rates. Rebates are granted to residential and state property owners amounting to R60 967 8893.

Rates are levied on a monthly basis and interest is levied after due date.

21. Government grants and subsidies

Operating grants

Equitable Share	50 957 000	47 515 000
Efficient Energy Demand Management Side Grant	8 999 700	-
Specific Contribution towards Councillors (Equitable Share)	3 716 000	3 318 000
Provincial Health Subsidies	4 417 389	4 674 378
DSRAC Grant	2 500 000	2 440 000
Environmental Subsidy Grant	2 426 316	1 854 735
Financial Management Grant	1 242 000	1 213 000
EPWP Grant	1 000 000	1 000 000
Municipal System Improvement Grant	890 000	1 000 000
HIV Grant	-	185 000
	59 956 700	47 515 000

Capital grants

Municipal Infrastructure Grant	27 158 000	26 711 000
Financial Management Grant	1 158 000	1 037 000
DSRAC Grant	100 000	1 000 000
Regional Bulk Infrastructure Grant	-	4 258 161
	28 416 000	33 006 161
	104 564 405	96 206 274

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy , which is funded from the grant.

Equitable Share

Current-year receipts	(54 673 000)	(50 833 000)
Conditions met - transferred to revenue	54 673 000	50 833 000
	-	-

Financial Management Grant

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Government grants and subsidies (continued)		
Current-year receipts	(2 821 700)	(2 250 000)
Conditions met - transferred to revenue	2 821 700	2 250 000
	-	-
Municipal System Improvement Grant		
Current-year receipts	(890 000)	(1 000 000)
Conditions met - transferred to revenue	890 000	1 000 000
Other	-	-
	-	-
Municipal Infrastructure Grant		
Current-year receipts	(27 158 000)	(26 711 000)
Conditions met - transferred to revenue	27 158 000	26 711 000
Other	-	-
	-	-
DCSAR		
Current-year receipts	(2 600 000)	(3 440 000)
Conditions met - transferred to revenue	2 600 000	3 440 000
Other	-	-
	-	-
EPWP		
Current-year receipts	(1 000 000)	(1 000 000)
Conditions met - transferred to revenue	1 000 000	1 000 000
Other	-	-
	-	-
Health		
Current-year receipts	(3 551 812)	(4 674 378)
Conditions met - transferred to revenue	3 551 812	4 674 378
Other	-	-
	-	-
Environmental health		
Current-year receipts	(1 973 235)	(1 854 735)
Conditions met - transferred to revenue	1 973 235	1 854 735
	-	-
HIV programme		
Current-year receipts	-	(185 000)
Conditions met - transferred to revenue	-	185 000
	-	-

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

21. Government grants and subsidies (continued)

RBIG

Current-year receipts	-	(4 258 161)
Conditions met - transferred to revenue	-	4 258 161
	-	-

Efficient Energy Demand Management Side Grant

Current-year receipts	(8 578 000)	-
Conditions met - transferred to revenue	8 578 000	-
	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22. Other income

Reconnection fees	4 936 591	4 884 522
Sundry Income	3 690 371	3 256 412
Rehabilitation fees (Landfill site)	2 910 777	2 677 248
New connection fees	2 725 296	5 635 616
Building Plans	1 485 716	1 567 984
Vacuum tank services	1 315 891	1 427 843
Service charges	785 304	384 426
Cemetery Income	498 601	482 033
Seta	400 678	662 708
Planning fees and permits	380 153	276 901
Advertising	420 762	68 797
Telephone Income	157 185	143 419
Final Readings	120 367	102 796
Clearance / Valuation Certificates	109 816	119 605
Entrance fees	94 021	94 222
Cleaning of Stands	61 161	19 807
Building plan copies and fees	50 129	53 076
Reconnection fees	42 539	26 612
Traffic Escourts	38 740	30 316
Surplus Cash	6 651	2 173
Meter test fees	5 250	4 973
Impounding of Vehicles	5 042	3 884
Lost and damage Liabary material	2 945	5 892
Dishonoured Cheques	2 875	2 219
Membership fees	2 312	1 004
Lost tokens	316	570
	20 249 489	21 935 058

23. Investment revenue

Interest received - Investments

Bank	4 850 916	2 036 636
------	-----------	-----------

24. Bulk purchases

Electricity	168 068 806	155 477 814
Water	82 162 238	70 181 839
	250 231 044	225 659 653

25. Employee related costs

Basic	60 159 205	87 982 288
-------	------------	------------

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. Employee related costs (continued)		
Pension costs	19 694 882	18 301 408
Medical aid - company contributions	8 329 304	7 882 100
Overtime payments	7 098 477	6 927 021
Leave bonus	6 971 281	6 890 205
Travel, motor car, accommodation, subsistence and other allowances	5 806 106	6 093 538
Acting allowances	2 348 641	2 127 788
Leave pay	1 169 695	1 108 266
Skills development levy	1 123 713	1 143 155
Cell phone allowance	1 092 983	927 752
UIF	885 004	847 417
Housing benefits and allowances	743 477	828 522
Group insurance	222 604	230 040
Other payroll levies	45 869	42 456
	115 691 241	141 331 956

Remuneration of Municipal Manager- A.S.A De Klerk

Annual Remuneration	1 128 362	1 126 013
Car Allowance	168 000	120 000
Contributions to UIF, Medical and Pension Funds	172 174	162 907
Other	52 246	-
	1 520 782	1 408 920

Remuneration of Chief Financial Officer - A.L. Van Schalkwyk

2013

The position of the chief financial officer was held by W Van Niekerk for the period July 2012 to April 2013. A.L. Van Schalkwyk was appointed as chief financial officer on 1 May 2013.

Annual Remuneration	874 031	912 979
Car Allowance	144 000	84 000
Contributions to UIF, Medical and Pension Funds	193 185	254 333
Other	33 572	-
	1 244 788	1 251 312

Remuneration of the ED Community Services - S.M. Mosidi

Annual Remuneration	811 720	713 616
Car Allowance	216 168	180 000
Contributions to UIF, Medical and Pension Funds	183 496	154 279
Other	24 000	-
	1 235 384	1 047 895

Remuneration of the ED Engineering Services - S. Coetzee

Annual Remuneration	865 575	928 271
Car Allowance	157 466	156 000
Contributions to UIF, Medical and Pension Funds	187 905	185 069
Other	24 000	-
	1 234 946	1 269 340

Remuneration of the ED Corporate Services - T.W. Peters

Annual Remuneration	1 276 935	1 225 390
Car Allowance	60 834	60 000
Contributions to UIF, Medical and Pension Funds	1 784	13 689
Other	24 150	-
	1 363 703	1 299 079

Remuneration of the ED Human Resources - B. Motsukunyane

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. Employee related costs (continued)		
Annual Remuneration	974 212	991 129
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	177 004	175 959
Other	24 000	-
	1 235 216	1 227 088
Remuneration of the ED Protection Services - E. Lensley		
Annual Remuneration	977 514	1 020 087
Car Allowance	30 000	30 000
Contributions to UIF, Medical and Pension Funds	203 701	246 574
Other	24 150	-
	1 235 365	1 296 661
Remuneration of the ED Development Planning and Housing - H. Human		
Annual Remuneration	924 191	938 280
Car Allowance	145 068	144 000
Contributions to UIF, Medical and Pension Funds	143 025	144 808
Other	24 000	-
	1 236 284	1 227 088
26. Depreciation and amortisation		
Property, plant and equipment	115 484 153	109 753 182
27. Contracted services		
Specialist Services	49 172 325	48 879 520
Other Contractors	6 842 755	-
	56 015 080	48 879 520
28. General expenses		
Advertising	1 136 679	1 323 308
Auditors remuneration	2 140 825	2 787 065
Bank charges	1 276 757	1 234 066
Community development and training	1 487 865	1 339 382
Computer expenses	198 840	230 046
Consulting and professional fees	2 283 195	2 151 202
Consumables	3 471 589	7 155 169
Convention bureau	-	11 762
Delivery expenses	1 704 399	1 939 072
Donations	227 746	237 010
Entertainment	469 640	373 825
Fleet	5 081 063	-
Gifts	99 327	100 720
Insurance	1 721 049	896 791
Magazines, books and periodicals	239 365	56 250
Medical expenses	380 915	23 790
Motor vehicle expenses	200 575	217 969
Non-capital Assets expensed	700 087	873 319
Other expenses	2 111 632	1 589 749
Packaging	496	20 911
Postage and courier	892 079	955 038
Printing and stationery	2 747 644	1 008 556
Protective clothing	1 401 234	1 367 904
Rental	7 575 589	6 961 289
Secretarial fees	334 689	496 619
Services to informal settlements	1 772 636	347 357
Subscriptions and membership fees	2 834 730	503 785

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
28. General expenses (continued)		
Telephone and fax	993 353	1 064 862
Training	853 780	853 959
Transport and freight	30 502	-
Travel - local	1 074 725	975 331
Valuation Roll	233 509	212 564
	45 676 514	37 308 670

29. Debt impairment

Contributions to debt impairment provision	23 500 868	27 322 871
--	------------	------------

30. Finance costs

Non-current borrowings	16 323 327	13 276 071
Unwinding of discount - landfill site provision	683 757	2 843 789
	17 007 084	16 119 860

31. Remuneration of councillors

Councillors	8 740 935	7 874 951
-------------	-----------	-----------

The Executive Mayor, Speaker and Mayoral Committee Members are full-time employees.

Each is provided with an office and secretarial support at cost of the council.

Remuneration of the Mayor:

	2014	2013
Allowance	508 370	484 162
Travel	169 457	161 387
Telephone	20 868	19 872
Subtotal	698 695	665 421

Remuneration of the MMC's:

	2014	2013
Allowance	1 906 388	1 815 608
Travel	635 463	605 203
Telephone	104 340	99 360
Subtotal	2 646 191	2 520 171

Remuneration of the Speaker:

	2014	2013
Allowance	406 696	387 329
Travel	135 565	129 710
Telephone	20 868	19 872
Subtotal	563 129	536 911

Remuneration of Section 79 Committee Members:

	2014	2013
Allowance	391 445	-
Travel	130 482	-
Telephone	41 736	-
Subtotal	563 663	-

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

31. Remuneration of councillors (continued)

Remuneration of the Councillors:

	2014	2013
Allowance	2 745 198	2 389 063
Travel	915 066	871 493
Telephone	375 624	223 128
Other	233 372	-
Subtotal	4 269 260	3 483 684

In-kind benefits

2014

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.

Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards .

2013

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.

Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards .

32. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

Additions during the year	53 708 430	50 834 394
Income recognition during the year	(53 708 430)	(50 834 394)
	-	-

33. Revenue

Service charges	421 537 853	377 171 202
Property rates	106 157 365	94 353 113
Government grants & subsidies	104 564 405	96 206 274
Other income	20 249 489	21 935 058
Fines	14 617 804	7 020 166
Interest received - consumer debtors	6 048 615	7 119 810
Interest received - investment	4 850 916	2 036 636
Developers contribution	2 663 992	1 679 904
Rental of facilities & equipment	1 142 264	1 329 612
Public contributions and donations	60 114	55 714 394
	681 892 817	664 566 169

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	421 537 853	377 171 202
Other income	20 249 489	21 935 058
Interest received - consumer debtors	6 048 615	7 119 810

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
33. Revenue (continued)		
Interest received - investment	4 850 916	2 036 636
Rental of facilities & equipment	1 142 264	1 329 612
	453 829 137	409 592 318

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	106 157 365	94 353 113
Transfer revenue		
Government grants & subsidies	104 564 405	96 206 274
Public contributions and donations	60 114	55 714 394
Fines	14 617 804	7 020 166
Developers contributions	2 663 992	1 679 904
	228 063 680	254 973 851

34. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At amortised cost	Total
Other receivables	4 797 488	4 797 488
Consumer debtors	114 926 707	114 926 707
Cash and cash equivalents	91 470 824	91 470 824
	211 195 019	211 195 019

Financial liabilities

	At amortised cost	Total
Other financial liabilities	175 000 667	175 000 667
Payables from exchange transactions	94 289 681	94 289 681
Consumer Deposits	10 273 776	10 273 776
Finance lease obligation	14 923 808	14 923 808
	294 487 932	294 487 932

2013

Financial assets

	At amortised cost	Total
Other receivables	5 937 648	5 937 648
Consumer debtors	95 151 227	95 151 227
Cash and cash equivalents	40 484 187	40 484 187
	141 573 062	141 573 062

Financial liabilities

	At amortised cost	Total
Other financial liabilities	129 105 467	129 105 467
Payables from exchange transactions	71 517 986	71 517 986
Consumer Deposits	9 804 398	9 804 398
Finance lease obligation	9 762 166	9 762 166
	220 190 017	220 190 017

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

34. Financial instruments disclosure (continued)

Financial instruments in Statement of financial performance

2014

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	10 899 531	10 899 531
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(17 007 084)	(17 007 084)
Impairment loss	(23 500 868)	(23 500 868)
	(29 608 421)	(29 608 421)

2013

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	9 156 446	9 156 446
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(16 119 860)	(16 119 860)
Impairment loss	(27 322 871)	(27 322 871)
	(34 286 285)	(34 286 285)

35. Auditors' remuneration

Fees	2 140 825	2 787 065
------	-----------	-----------

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	8 254 383	8 942 049
---------------------------------	-----------	-----------

Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	82 391 545	152 467 000
---------------------------------	------------	-------------

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated.

The municipality approved the implementation of the 2014/15 carry over adjustment budget as allowed by section 28 of the Municipal Finance Management Act as well as section 23 of the Municipal Budget and Reporting regulations (projects from the 2013/2014 financial year to be carried over to the 2014/2015 financial year).

With the promulgation of the Municipal Budget and Reporting Regulations, the approval of an Adjustments Budget for carry over projects by 25 August annually is allowable.

The MFMA as well as the budgeting and reporting regulations makes provision for carry over's to be approved as an adjustment budget in August annually.

Section 28(2)(e) of the MFMA states the following:

"An adjustments budget may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council".

Section 23(5) of the Regulations as published in volume 526 of the Government Gazette No 32141 dated 17 April 2009, states the following:

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

36. Commitments (continued)

"An adjustment budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-over relate."

37. Contingencies

On 20 May 2011 the State President issued a proclamation establishing the SIU to investigate certain allegations in respect of the Midvaal Local Municipality. The report on the outcome of the investigation has not yet been issued. However, in the mean time the SIU has issued accounts to be paid for the work it is set to have done. Council resolved under item C 1137/06/2014 that National or Provincial Treasury be approached for the exemption of the payment of the fees in terms of Section 5(1a) of the Special Investigation Units and Special Tribunals Act (74 of 1996) - R 869 876.25.

Contingent liabilities arising from third party claims and litigation

Name	Case no		2014	2013
Mr Delpont			-	102 984
Mr Nijland	0510-1173		-	124 989
Mr Delpont	0813-12014	Accident manhole	200 000	-
Mrs Kok	0213-11813	Motor Accident	31 310	31 310
Mrs Jordaan			-	35 000
Mrs van Kraayenburg	0111-11924	Pothole Genl Hertzog	36 619	36 619
Mrs Modise	0413-11980		-	25 000
Mr Visagie	0313-11864		-	5 000 000
Telkom			-	187 785
Mrs Jordaan	0813-12114	House build on wrong property	2 000 000	-
Mrs du Toit	12238	Stolen electrical cable	4 500 000	-
Mr N G Damane		Stolen electrical cable	8 620	-
Mrs Q van Wyk	0114-12239	Stolen electrical cable	10 000	-
Mrs C Enslin		Tree fell on vehicle	160 000	-
Subtotal	-	-	6 946 549	5 543 687
			6 946 549	5 543 687

Plaintiff applicant	Defendant applicant	Case no	Claim against / action by Council	Description of instruction given to Attorneys Status	Status
Eskom	Nersa / MLM	18234/2011	Not stipulated - Quantum not known	To defend case - Oppose review application - A waiting instruction	Awaiting supplementary affidavit from applicant
MLM	Meyerton Golf Club		Application to demolish illegal structure - Quantum not known	Malherbe Rigg & Ranwell	Appeal lodged
Telkom SA Ltd	MLM	21445/2011	R187 784,83 plus interest (Damage to cables)	Deffend claim	Court date set for 23/07/2014 has been cancelled - Matter postponed "sine die"(Indefinitely)
M A Ramaoke	MLM / SAPS	38281/2010	Claim for damages R 643 388,64	Matter transfered from Webber Wentzel to Mills Groenewald	Matter postponed

Contingent assets

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

37. Contingencies (continued)

Plaintiff applicant	Defendant applicant	Case no	Claim against / action by Council	Description of instruction given to Attorneys Status	Status
MLM	John West	24744/2010	Action by Council R 130 000,00 plus interest on legal cost	Odendaal and Summerton Inc	Company liquidated

38. Related parties

Relationships

Close family member of key management	Management remuneration - Refer to employee Related Costs and Remuneration of Councillors notes
Joint venture of key management	None
Associate of close family member of key management	As per schedule
Members of key management	Refer to note on employee related cost for information

	Associate of close family member of key management	Contract value	
Company	Staff member	2014	2013
Jumanji Industrial supplies	G S Herholdt	-	29 868
Voster Doenighede	E Pienaar	300	1 560
Se Gosedi Electrical and Projects PTY Ltd	P Malherbe	3 942	-
Subtotal	-	4 242	31 428
		4 242	31 428

	Previously employed by Organ of State	Contract value	
Company	Staff member	2014	2013
Paul Ernst	Paul Ernst	484 559	300 000
Subtotal	-	484 559	300 000

39. Prior period errors

2014

During an audit conducted by the Energy Loss Programme staff of Eskom it was found that Midvaal Municipality was not billed for one day on 1 August 2009 that lead to an under recovery of R 137 923.09. An amount of R 630 102.21 was under recover due to metering changes that have not been excepted by the Eskom system for 36 days. Eskom utilized Midvaal Municipality's current transformers for the period 1 March 2010 to 30 September 2010 to retrieve data for Eskom billing purposes. An amount of R 11 847 855 was under recovered based on the Energy Loss Programme audit findings for the period March to September 2010. An amount of R 5 226 207 was under recover due to phases that were swopped on the metering installation and phasing problems were experienced on meter panel 1 and 4 for the period May 2011 to July 2011. Council agreed to enter into an agreement with Eskom to pay of the principal debt of R 17 842 087.30 over a period of 36 months.

Eskom

Opening balance	-	17 842 087
Long term portion	8 003 643	-
Short term portion	5 352 626	-
Payments done for the year	4 485 818	-
	17 842 087	17 842 087

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

39. Prior period errors (continued)

VAT was incorrectly included in the pre-paid electricity revenue received in advance and was corrected in the current year.

PPE adjustments were made for the year. This was mainly as a result of the reclassification of investment properties assets and heritage assets as well as assets found that were not previously accounted for.

Other receivables from exchange transactions were disclosed within other receivables from non-exchange transactions in the past, but was corrected in the current year.

2013

The Valuation Roll expense was incorrectly deferred previously, but was corrected in the current year.

Revenue was corrected for incorrect cut-off treatment in the past.

Internal charges were incorrectly accounted in the past, but was corrected in the current year.

Debtors incorrectly stated were corrected in the current year.

Pre-paid electricity was incorrectly accounted for on the cash-basis in the past, but was corrected in the current year.

An incorrect accounting treatment of developers contributions was corrected in the current year.

Land and Investment Property were found during a land audit performed during the year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	12 851 150	58 671 714
Intangible assets	1 229 295	-
Heritage assets	18 271	-
Other receivables from non-exchange transactions	(4 432 511)	(684 699)
Other receivables from exchange transactions	4 432 511	-
Investment property	(5 377 000)	22 379 000
VAT receivable	-	(10 769 259)
Trade and other payables from exchange transactions	547 236	(4 451 452)
Provisions - long term service award	-	(4 237 000)
Consumer debtors	-	11 845 418
Long-term liability	(17 842 087)	-
VAT payable	-	10 701 587
Provision - post retirement benefits	-	(28 714 000)
Opening Accumulated Surplus or Deficit	8 573 702	(50 079 708)

Statement of Financial Performance

Depreciation expense	-	1 559 286
Service charges	(567)	2 684 780
Debt impairment	-	(2 535 249)
Employee related costs	-	8 954 000
General expenses	-	(3 946 839)
Fines	-	(675 992)

40. Comparative figures

Certain comparative figures have been reclassified where it was deemed necessary for a better understanding of the annual financial statements and where better presentation would be ultimately obtained.

41. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

41. Risk management (continued)

As the municipality has no significant income from interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. Loans are taken at fixed interest rates to minimise interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

42. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had a positive accumulated surplus and that the municipality's total assets exceeds its liabilities.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

43. Events after the reporting date

None

44. Unauthorised expenditure

Opening balance	48 736	-
Unauthorised expenditure for the year	-	48 736
Unauthorised expenditure - written off by the council	(48 736)	-
	-	48 736

The amount of R 48 736 that was recorded as unauthorised expenditure in the 2012/2013 financial year, has been written off as irrecoverable debt as per Council resolution MC A/2920/05/2014.

45. In-kind donations and assistance

2014

The Municipality received the following in-kind donations and assistance:

Gauteng Provincial Treasury has provided assistance in the preparation of the 2012/2013 Annual financial statements, by deploying officials to the municipality.

2013

The Municipality received the following in-kind donations and assistance:

Gauteng Provincial Treasury has provided assistance in the preparation of the 2011/2012 as well as 2012/2013 Annual financial statements, by deploying officials to the municipality.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 388 603	706 861
Current year subscription / fee	1 437 744	1 170 707
Amount paid - current year	(2 826 347)	(538 965)
	-	1 338 603

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Amount paid - current year	2 140 825	2 787 065
----------------------------	-----------	-----------

PAYE and UIF

Amount paid - current year	20 576 913	18 681 176
----------------------------	------------	------------

Pension and Medical Aid Deductions

Amount paid - current year - Pension	28 145 455	25 809 763
Amount paid - current year - Medical	14 371 026	12 673 488
	42 516 481	38 483 251

VAT

VAT receivable	8 822 049	6 425 749
----------------	-----------	-----------

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

2014

There were no arrear accounts outstanding for more than 90 days for Councillors at 30 June 2014.

2013

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
ML Modikeng	307	1 142	1 449
P & MW Ramushu	258	-	258
P & MW Ramushu	352	-	352
MGI Ncobo	-	1 434	1 434
MM Radebe	-	1 559	1 559
MJ Tsotesi	-	64	64
MZP Boland	-	558	558
	917	4 757	5 674

47. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	183 592 669	138 867 633
Used to finance property, plant and equipment	(145 838 507)	(132 667 768)
	37 754 162	6 199 865

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

48. Deviation from supply chain management regulations (continued)

The majority of items mentioned had to be addressed in short notice and the response times did not allow for the complete procurement process to be followed. The balance of items were due to emergency circumstances or uneconomic benefits for the municipality.

Class	2014	2013
Emergency	4 400 477	1 837 948
Sole suppliers	3 821 599	4 855 140
Impractical or impossible to follow the process	4 687 044	1 944 182
Total	12 909 120	8 637 270

49. Budget differences

Material differences between budget and actual amounts

The total expenditure for the year was less than the approved expenditure budget.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

50. Unaccounted water and electricity

Electricity technical losses:

	Technical loss / Non technical loss		
Electricity	Units	Amounts	Percentage
Technical loss	14 499 543	10 223 628	6,00 %
Non technical loss	15 273 035	10 769 017	6,32 %
Subtotal	29 772 578	20 992 645	12
	29 772 578	20 992 645	12,32 %

Electricity:

	Electricity			
Year	Units purchased	Units sold	Loss in distribution	Percentage
2013/2014	-	-	-	- %
Units	241 639 650	211 867 072	29 772 578	12,32 %
Amount	170 380 117	149 387 472	20 992 645	- %
2012/2013	-	-	-	- %
Units	237 547 769	208 027 519	29 520 250	12,43 %
Amount	152 671 951	133 699 286	18 972 665	- %

The unit sold amount is calculated according to the unit purchased amount.

Water:

	Water			
Year	Units purchased	Units sold	Loss in distribution	Percentage
2013/2014	-	-	-	- %
Units	14 946 866	10 408 786	4 538 080	30,36 %

Midvaal Local Municipality

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

50. Unaccounted water and electricity (continued)

Amount	81 602 415	56 826 767	24 775 648	- %
2012/2013	-	-	-	- %
Units	13 975 573	10 575 579	3 399 994	24,33 %
Amount	69 149 738	52 326 908	16 822 830	- %

Note 1: The high volume in units sold were due to journal adjustments based on the correction of consumption by engineering services for certain customers.

51. Cash generated from operations

Surplus	6 910 607	10 975 763
Adjustments for:		
Depreciation and amortisation	115 484 153	109 753 182
Loss/gain on disposal of assets	631 023	-
Debt impairment	23 500 868	27 322 871
Movements in retirement benefit liabilities	(31 886 000)	7 700 000
Movements in provisions	(3 797 855)	13 836 837
Movement in VAT receivable and payable	-	1 834 212
Impairment loss	-	826 351
Other non-cash items	(4 452 879)	(55 714 394)
Changes in working capital:		
Inventories	(342 805)	995 865
Other receivables from exchange transactions	1 934 113	1 168 310
Consumer debtors	(43 276 348)	(29 014 553)
Other receivables from non-exchange transactions	(793 953)	(1 505 137)
Trade and other payables from exchange transactions	22 771 697	(12 082 606)
VAT	(941 959)	(313 380)
Consumer deposits	469 378	911 721
	86 210 040	76 695 042

Midvaal Local Municipality

Appendix A

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure			
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
		-	-	-	-	-	-	-	-
NATIONAL TREASURY-CAPITAL	MIG	4 370 000	12 650 000	10 138 000	-	4 354 037	5 270 749	6 146 772	7 458 651
NATIONAL TREASURY-CAPITAL	FMG	58 000	-	-	-	-	35 227	20 470	-
NATIONAL TREASURY-CAPITAL	EEDSMG	421 700	3 000 000	5 578 000	-	-	213 669	377 105	8 313 269
PROVINCIAL - CAPITAL	DSCAR	100 000	-	-	-	-	-	-	87 485
NATIONAL TREASURY - OPERATIONAL	Equitable Share	22 783 000	18 227 000	13 663 000	-	-	-	-	-
NATIONAL TREASURY - OPERATIONAL	MSIG	890 000	-	-	-	134 375	244 349	108 117	403 159
NATIONAL TREASURY - OPERATIONAL	FMG	1 242 000	-	-	-	172 761	365 635	397 566	306 039
NATIONAL TREASURY - OPERATIONAL	MIG	1 100 000	-	-	-	248 825	262 199	260 460	285 803
NATIONAL TREASURY - OPERATIONAL	EPWP	400 000	300 000	300 000	-	323 515	597 061	79 424	-
PROVINCE - OPERATIONAL	Prov Health	-	1 577 314	1 244 238	1 595 838	1 132 128	1 299 736	1 148 397	621 176
PROVINCE - OPERATIONAL	DSCAR	2 500 000	-	-	-	527 557	473 201	492 560	914 976
DISTRICT - OPERATIONAL	Environmental Health	-	-	-	-	-	-	-	-
		146 260	728 994	422 397	1 128 665	489 894	593 375	672 530	246 374
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		34 010 960	36 483 308	31 345 635	2 724 503	7 383 092	9 355 201	9 703 401	18 636 932

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.